

Township of Washington Macomb County, Michigan

**Financial Report
with Supplemental Information
March 31, 2008**

Township of Washington

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Independent Auditor's Report

To the Board of Trustees
Township of Washington
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Washington as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Washington's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Washington as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees
Township of Washington
Macomb County, Michigan

The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Washington. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

June 24, 2008

Township of Washington

Management's Discussion and Analysis

Overview of the Financial Statements

The Township of Washington's 2008 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental Activities - Most of the Township's basic services are included here, such as police, fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, and three special operating millages provide most of the funding.

Business-type Activities - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system and building inspection services are treated as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of financial support and spending for particular purposes. Some funds are required by state law and bond covenants. The Township board establishes other funds to control and manage money for particular purposes.

Township of Washington

Management's Discussion and Analysis (Continued)

The Township has three types of funds:

Governmental Funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary Funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

Fiduciary Funds - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Overview

The Township has combined total net assets of \$75.5 million. This is an increase over 2007 of \$3.3 million. Business-type activities comprise \$48.9 million, and governmental activities make up \$26.5 million of total net assets. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

In Thousands

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Capital assets	\$ 6,022	\$ 5,334	\$ 36,548	\$ 37,409	\$ 42,570	\$ 42,743
Other assets	21,575	19,729	18,821	17,726	40,396	37,455
Total assets	27,597	25,063	55,369	55,135	82,966	80,198
Current liabilities	600	978	698	587	1,298	1,565
Long-term liabilities	464	507	5,753	5,970	6,217	6,477
Total liabilities	1,064	1,485	6,451	6,557	7,515	8,042
Net assets:						
Invested in capital assets -						
Net of related debt	5,842	5,059	31,591	32,193	37,433	37,252
Restricted	10,077	8,480	2,122	2,427	12,199	10,907
Unrestricted	10,614	10,039	15,205	13,958	25,819	23,997
Total net assets	<u>\$ 26,533</u>	<u>\$ 23,578</u>	<u>\$ 48,918</u>	<u>\$ 48,578</u>	<u>\$ 75,451</u>	<u>\$ 72,156</u>

Township of Washington

Management's Discussion and Analysis (Continued)

The Township experienced changes in both assets of the governmental activities and business-type activities.

The Township continues to pay debt service on water and sewer capital-related items, which is its largest liability of the business-type activities. Other changes are minimal, and balances are fairly consistent with last year.

The following table shows the changes in net assets for 2008 and 2007.

In Thousands

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue:						
Charges for services	\$ 714	\$ 325	\$ 5,018	\$ 4,696	\$ 5,732	\$ 5,021
Operating grants and contributions	13	106	-	-	13	106
Capital grants and contributions	813	13	694	1,493	1,507	1,506
General revenue:						
Property taxes	6,192	5,737	-	-	6,192	5,737
State-shared revenue	1,179	1,186	-	-	1,179	1,186
Unrestricted investment earnings	1,084	1,013	740	690	1,824	1,703
Franchise fees	202	184	-	-	202	184
Miscellaneous	33	26	-	-	33	26
Transfers and other revenue	109	209	(109)	(209)	-	-
Total revenue	10,339	8,799	6,343	6,670	16,682	15,469
Program Expenses						
General government	2,367	2,047	-	-	2,367	2,047
Public safety	4,474	4,096	-	-	4,474	4,096
Public works	532	163	-	-	532	163
Interest on long-term debt	11	16	-	-	11	16
Water and sewer	-	-	5,358	4,899	5,358	4,899
Building inspection	-	-	645	682	645	682
Total program expenses	7,384	6,322	6,003	5,581	13,387	11,903
Change in Net Assets	\$ 2,955	\$ 2,477	\$ 340	\$ 1,089	\$ 3,295	\$ 3,566

Township of Washington

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenues for governmental activities totaled \$10.3 million in 2008. A total of \$6.2 million was in the form of property tax collections, an increase of \$455,000 over 2007. This increase is mainly a reflection of an increase in taxable value of \$42.9 million and the general operating millage increase from .6185 mills to .6198 mills. The police and fire and advance life support special assessment millage generated \$5.4 million of the total \$6.2 million of property tax revenue reported above. State-shared revenue continues to be of concern. While it provided \$1.2 million, we are uncertain what will happen in 2009, given the State's financial difficulties. Charges for services generated \$714,000. Current year capital grants and contributions of \$813,000 included \$237,000 collected from residents to pave 31 Mile Road and property valued at \$554,000 awarded to the Township in a court settlement. Total program expenses increased due to more depreciation expense in the current year compared to prior year, an increase in the contracted services of the police, increases in the Township's insurance expense, and increases in the Township's expenses related to the Tri-County Cable Commission.

Business-type Activities

The Township has two business-type activities, the water and sewer operations and building inspection services. Revenues for business-type activities were \$6.3 million.

The water and sewer operation consists of the following: Water is provided to the Township residents via the Detroit Water and Sewer Department. Sewage treatment is provided by contracts with the Detroit Water and Sewer Department and Macomb County. The Township participates in the Garfield Interceptor project to ensure sewer capacity for the community.

Current Economic Events

Washington Township continues to see some economic growth in the small commercial center complexes, although very little economic growth in new residential development. The Township has seen the housing market values adjust with the uncertainty of the current economy and job market. Our taxable value remains at \$1.3 billion.

Revenue sharing, as it was in 2007, continues to be the most significant budgetary concern at this time. Our community continues to weather the cuts in state-shared revenue, in part, due to very positive, conservative actions of previous boards. Our current board exhibits the conservative behavior of previous boards, while always keeping the obligations to current and future residents as its beacon. As the community slowly grows, the Township uses its strategic future forecasts to plan and budget for future needs.

Financial Analysis of Township Funds and Budgets

The General Fund ended 2008 with a fund balance of \$3.9 million, with \$1,455,000 designated. A couple of factors affected operating results. First, tax revenue was up due to increased taxable value. Secondly, tax collections were \$790,733 for 2008. This is an increase of \$61,478 over 2007.

Township of Washington

Management's Discussion and Analysis (Continued)

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent over-expenditures. With that in mind, the General Fund expenditures were 97 percent of budget.

Police and fire and advanced life support operations are funded separately through special assessment millages. These funds are expended exclusively for operations of police and fire services and advanced life support. All of these funds have a positive fund balance position.

Capital Assets and Debt

The Township continued capital projects in 2008:

Washington Township continues to position itself as a community prepared for tomorrow though planning today.

- Washington Township continues to see growth along the Van Dyke corridor between 26 Mile and 27½ Mile Road, in the area known as the Village District. The Village District provides for a unique blend of commercial, office, and residential uses, while maintaining a unified streetscape.
- The Township has successfully negotiated a historic new water contract with the Detroit Water Board. This new contract positions the Township to be able to stabilize rate increases, and may even provide for water rate decreases, as new water management policies are implemented.
- Washington Township continues to explore all options regarding the construction and funding of a replacement sewer line from 23 Mile north to 26 Mile and Hayes Road. This project would replace our current aging system, as well as provide the community with long-term sewer capacity.
- The Washington Township Water and Sewer Committee continues to explore the replacement and construction of a new sewer pump station at the corner of 26 Mile Road and Hayes Road. This pump station will provide adequate capacity and long-term reliability, reducing maintenance costs and emergency repairs associated with aging systems.

Debt relating to special assessment projects and compensated absences totaling \$553,411 is recorded as a liability in the governmental activities in the statement of net assets. Debt relating to the water and sewer system and compensated absences totaling \$6 million is recorded as a liability in the business-type activities in the statement of net assets.

Contact Us

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition. Should you have further questions, please contact the finance and budget department at the Washington Township Municipal Building.

Township of Washington

Statement of Net Assets March 31, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 2)	\$ 18,535,002	\$ 14,738,836	\$ 33,273,838
Receivables:			
Customers	-	999,120	999,120
Special assessments	180,456	132,206	312,662
Other receivables	118,946	61,573	180,519
Due from other governmental units	1,225,528	34,391	1,259,919
Internal balances	9,008	(9,008)	-
Prepaid expenses and other assets	93,174	92,355	185,529
Investment in Romeo, Washington, Bruce Parks and Recreation Commission (Note 12)	541,701	-	541,701
Investment in Bruce and Washington Townships Senior Transportation through Advanced Reservation Commission (Note 12)	871,606	-	871,606
Restricted assets (Note 6)	-	2,771,155	2,771,155
Capital assets (Note 3):			
Capital assets not being depreciated	2,200,787	111,197	2,311,984
Capital assets being depreciated - Net	<u>3,821,192</u>	<u>36,436,971</u>	<u>40,258,163</u>
Total assets	27,597,400	55,368,796	82,966,196
Liabilities			
Accounts payable	80,810	332,394	413,204
Due to other governmental units	264,308	-	264,308
Accrued and other liabilities	165,099	120,803	285,902
Noncurrent liabilities (Note 5):			
Due within one year	90,000	245,140	335,140
Due in more than one year	<u>463,411</u>	<u>5,753,156</u>	<u>6,216,567</u>
Total liabilities	<u>1,063,628</u>	<u>6,451,493</u>	<u>7,515,121</u>
Net Assets			
Invested in capital assets - Net of related debt	5,841,979	31,590,622	37,432,601
Restricted:			
Restricted for water and sewer line maintenance and construction	-	1,602,270	1,602,270
Restricted for bond ordinance	-	263,000	263,000
Building Inspection Fund	-	256,315	256,315
Fire service	4,966,402	-	4,966,402
Law enforcement	1,968,675	-	1,968,675
Advanced life support service	2,979,179	-	2,979,179
Sidewalk maintenance	146,276	-	146,276
Street lighting	17,119	-	17,119
Unrestricted	<u>10,614,142</u>	<u>15,205,096</u>	<u>25,819,238</u>
Total net assets	<u>\$ 26,533,772</u>	<u>\$ 48,917,303</u>	<u>\$ 75,451,075</u>

Township of Washington

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 2,366,400	\$ 72,611	\$ -	\$ 791,823
Public safety	4,473,906	363,827	13,728	2,500
Public works	532,394	277,773	-	18,748
Interest on long-term debt	11,114	-	-	-
Total governmental activities	7,383,814	714,211	13,728	813,071
Business-type activities:				
Water and sewer	5,357,745	4,604,144	-	694,096
Building inspection	644,820	412,798	-	-
Total business-type activities	6,002,565	5,016,942	-	694,096
Total primary government	<u>\$ 13,386,379</u>	<u>\$ 5,731,153</u>	<u>\$ 13,728</u>	<u>\$ 1,507,167</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Miscellaneous				
Transfers				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended March 31, 2008

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (1,501,966)	\$ -	\$ (1,501,966)
(4,093,851)	-	(4,093,851)
(235,873)	-	(235,873)
<u>(11,114)</u>	<u>-</u>	<u>(11,114)</u>
(5,842,804)	-	(5,842,804)
-	(59,505)	(59,505)
<u>-</u>	<u>(232,022)</u>	<u>(232,022)</u>
-	(291,527)	(291,527)
<u>(5,842,804)</u>	<u>(291,527)</u>	<u>(6,134,331)</u>
6,191,663	-	6,191,663
1,179,150	-	1,179,150
1,083,663	740,547	1,824,210
201,695	-	201,695
32,869	-	32,869
<u>109,932</u>	<u>(109,932)</u>	<u>-</u>
<u>8,798,972</u>	<u>630,615</u>	<u>9,429,587</u>
2,956,168	339,088	3,295,256
<u>23,577,604</u>	<u>48,578,215</u>	<u>72,155,819</u>
<u>\$ 26,533,772</u>	<u>\$ 48,917,303</u>	<u>\$ 75,451,075</u>

Township of Washington

Governmental Funds Balance Sheet March 31, 2008

	Major Special Revenue Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Fire Fund	Advanced Life Support Fund	Police Fund		
Assets						
Cash and cash equivalents (Note 2)	\$ 5,953,924	\$ 4,767,688	\$ 2,741,076	\$ 1,823,067	\$ 3,249,247	\$ 18,535,002
Receivables:						
Special assessments	124,863	-	-	-	55,593	180,456
Other	17,844	39	101,063	-	-	118,946
Due from other funds (Note 4)	13,487	-	-	-	2,307,737	2,321,224
Due from other governmental units	528,821	242,941	180,430	110,589	74,209	1,136,990
Prepaid expenses	34,289	29,454	27,185	-	2,246	93,174
Total assets	<u>\$ 6,673,228</u>	<u>\$ 5,040,122</u>	<u>\$ 3,049,754</u>	<u>\$ 1,933,656</u>	<u>\$ 5,689,032</u>	<u>\$ 22,385,792</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 41,212	\$ 17,450	\$ 17,899	\$ 1,080	\$ 3,169	\$ 80,810
Due to other governmental units	264,308	-	-	-	-	264,308
Due to other funds (Note 4)	2,307,737	194	-	-	4,285	2,312,216
Accrued and other liabilities	55,560	56,076	52,676	-	-	164,312
Deferred revenue (Note 10)	124,863	-	-	-	55,593	180,456
Total liabilities	2,793,680	73,720	70,575	1,080	63,047	3,002,102
Fund Balances						
Reserved for:						
Law enforcement	-	-	-	1,932,576	36,099	1,968,675
Fire service	-	4,922,948	-	-	-	4,922,948
Advanced life support	-	-	2,865,635	-	-	2,865,635
Prepays	34,289	29,454	27,185	-	2,246	93,174
Unreserved - Reported in:						
General Fund:						
Undesignated	2,390,107	-	-	-	-	2,390,107
Designated (Note 11)	1,455,152	-	-	-	-	1,455,152
Debt Service Fund	-	-	-	-	99,536	99,536
Special Revenue Funds:						
Undesignated	-	-	-	-	872,521	872,521
Designated (Note 11)	-	14,000	86,359	-	4,615,583	4,715,942
Total fund balances	3,879,548	4,966,402	2,979,179	1,932,576	5,625,985	19,383,690
Total liabilities and fund balances	<u>\$ 6,673,228</u>	<u>\$ 5,040,122</u>	<u>\$ 3,049,754</u>	<u>\$ 1,933,656</u>	<u>\$ 5,689,032</u>	<u>\$ 22,385,792</u>
Fund balance - Total governmental funds						\$ 19,383,690
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						6,021,979
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures						180,456
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures						88,538
Accrued interest payable on long-term debt is not recorded in the funds						(787)
Investments in joint ventures are not reported in the funds						1,413,307
Long-term liabilities are not due and payable in the current period and are not reported in the funds						(553,411)
Net assets of governmental activities						<u>\$ 26,533,772</u>

Township of Washington

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2008

	Major Special Revenue Funds				Other	Total
	General Fund	Fire Fund	Advanced Life Support Fund	Police Fund	Nonmajor Governmental Funds	Governmental Funds
Revenue						
Property taxes	\$ 790,733	\$ 2,444,307	\$ 1,800,105	\$ 1,156,518	\$ -	\$ 6,191,663
Licenses and permits	3,000	-	-	-	-	3,000
Federal and state sources	1,173,115	6,864	6,864	-	10,373	1,197,216
Fees	410,841	-	315,462	28,369	235,269	989,941
Interest and rent	631,439	200,190	94,664	52,605	129,692	1,108,590
Special assessments	55,811	-	-	-	77,717	133,528
Other revenue	271,641	10,702	18,440	-	-	300,783
Total revenue	3,336,580	2,662,063	2,235,535	1,237,492	453,051	9,924,721
Expenditures						
General government	2,110,803	-	-	-	73,131	2,183,934
Public safety	112,159	1,657,617	1,530,802	834,060	13,363	4,148,001
Public works	468,304	-	-	-	19,805	488,109
Insurance	96,137	-	-	-	-	96,137
Capital outlay	123,133	379,239	8,306	-	45,350	556,028
Debt service	-	-	-	-	107,322	107,322
Total expenditures	2,910,536	2,036,856	1,539,108	834,060	258,971	7,579,531
Excess of Revenue Over Expenditures	426,044	625,207	696,427	403,432	194,080	2,345,190
Other Financing Sources (Uses)						
Transfers in (Note 4)	-	-	-	-	522,940	522,940
Transfers out (Note 4)	(273,008)	(70,000)	(70,000)	-	-	(413,008)
Total other financing sources (uses)	(273,008)	(70,000)	(70,000)	-	522,940	109,932
Net Change in Fund Balances	153,036	555,207	626,427	403,432	717,020	2,455,122
Fund Balances - Beginning of year	3,726,512	4,411,195	2,352,752	1,529,144	4,908,965	16,928,568
Fund Balances - End of year	<u>\$ 3,879,548</u>	<u>\$ 4,966,402</u>	<u>\$ 2,979,179</u>	<u>\$ 1,932,576</u>	<u>\$ 5,625,985</u>	<u>\$ 19,383,690</u>

Township of Washington

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds **\$ 2,455,122**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are recorded as capital assets	510,678
Depreciation is recorded as an expense in the statement of activities but not in the governmental funds	(377,064)
Governmental funds do not report donated capital assets; in the statement of activities, contribution revenue is recorded	554,823
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(79,235)
Revenues are recorded in the statement of activities when earned; revenues are not reported in the funds until earned and available	(4,338)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	95,000
Equity interests in the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation through Advanced Reservation Commission are not reported in the governmental funds	(153,310)
Interest expense is recorded when incurred in the statement of activities	1,208
The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>(46,716)</u>

Change in Net Assets of Governmental Activities **\$ 2,956,168**

Township of Washington

Proprietary Funds Statement of Net Assets March 31, 2008

	Water and Sewer Fund	Building Inspection Fund
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 14,417,933	\$ 320,903
Accounts receivable:		
Customers	999,120	-
Special assessments	132,206	-
Other	61,573	-
Due from other governmental units	34,391	-
Prepaid expenses and other assets	84,359	7,996
Total current assets	15,729,582	328,899
Noncurrent assets:		
Restricted assets (Note 6)	2,771,155	-
Capital assets (Note 3):		
Capital assets not being depreciated	111,197	-
Capital assets being depreciated - Net	36,424,789	12,182
Total noncurrent assets	39,307,141	12,182
Total assets	55,036,723	341,081
Liabilities		
Current liabilities:		
Accounts payable	327,629	4,765
Accrued and other liabilities	101,762	19,041
Due to other funds (Note 4)	5,040	3,968
Current portion of long-term obligations (Note 5)	245,140	-
Total current liabilities	679,571	27,774
Noncurrent liabilities - Long-term debt - Net of current portion (Note 5)	5,708,346	44,810
Total liabilities	6,387,917	72,584
Net Assets		
Investment in capital assets - Net of related debt	31,578,440	12,182
Restricted for water and sewer line maintenance and construction	1,602,270	-
Restricted for bond ordinance	263,000	-
Restricted for Building Inspection Fund	-	256,315
Unrestricted	15,205,096	-
Total net assets	\$ 48,648,806	\$ 268,497

Township of Washington

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2008

	Water and Sewer Fund	Building Inspection Fund
Operating Revenue		
Water usage	\$ 2,615,161	\$ -
Sewage usage	1,760,566	-
Charges for services	-	411,373
Other	228,417	1,425
Total operating revenue	4,604,144	412,798
Operating Expenses		
Sewer and water purchases	2,853,757	-
Administration	81,373	24,800
Billing and clerical	192,259	-
Other services	110,165	60,361
Buildings and grounds	31,861	-
Inspection	399,281	328,525
Depreciation (Note 3)	988,272	2,775
Insurance	36,959	4,072
Fringe benefits	275,182	173,795
Other operating expenses	-	50,492
Total operating expenses	4,969,109	644,820
Operating Loss	(364,965)	(232,022)
Nonoperating Revenue (Expense)		
Tap fees	460,760	-
Interest income	828,006	26,517
Interest expense	(388,636)	-
Total nonoperating revenue	900,130	26,517
Income (Loss) - Before capital contributed from developers and customers and transfers out	535,165	(205,505)
Capital Contributed from Developers and Customers	119,360	-
Other Financing Uses - Transfers out (Note 4)	(66,000)	(43,932)
Change in Net Assets	588,525	(249,437)
Net Assets - Beginning of year	48,060,281	517,934
Net Assets - End of year	\$ 48,648,806	\$ 268,497

Township of Washington

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2008

	Water and Sewer Fund	Building Inspection Fund
Cash Flows from Operating Activities		
Receipts from customers	\$ 4,412,216	\$ 413,349
Payments to suppliers	(2,891,332)	(110,160)
Payments to employees	(927,797)	(521,042)
Other operating payments	(252,230)	(137,764)
Net cash provided by (used in) operating activities	340,857	(355,617)
Cash Flows from Capital and Related Financing Activities		
Collection of customer assessments (principal and interest)	57,621	-
Purchase of capital assets	(64,897)	-
Principal paid on bond maturities	(274,955)	-
Interest paid on bonds	(388,635)	-
Lateral fees	514,990	-
Net cash used in capital and related financing activities	(155,876)	-
Cash Flows from Noncapital Financing Activities - Operating transfer	-	(43,932)
Cash Flows from Investing Activities - Interest received	824,168	26,517
Net Increase (Decrease) in Cash and Cash Equivalents	1,009,149	(373,032)
Cash and Cash Equivalents - Beginning of year	16,065,631	693,935
Cash and Cash Equivalents - End of year	<u>\$ 17,074,780</u>	<u>\$ 320,903</u>
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and investments (Note 2)	\$ 14,417,933	\$ 320,903
Restricted assets (Note 6)	2,656,847	-
Total cash and cash equivalents	<u>\$ 17,074,780</u>	<u>\$ 320,903</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (364,965)	\$ (232,022)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	988,272	2,775
Changes in assets and liabilities:		
Receivables	(191,928)	551
Due from other governmental units	4,617	-
Prepaid expenses and other assets	16,699	13,787
Accounts payable	141,410	4,765
Accrued and other liabilities	17,861	6,077
Due to other funds	(271,109)	(151,550)
Net cash provided by (used in) operating activities	<u>\$ 340,857</u>	<u>\$ (355,617)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended March 31, 2008, the Water and Sewer Fund received approximately \$65,000 of lines donated by developers.

Township of Washington

Fiduciary Funds Statement of Assets and Liabilities March 31, 2008

	<u>Agency Funds</u>
Assets - Cash and investments (Note 2)	<u>\$ 704,522</u>
Liabilities	
Due to other governmental units	\$ 1,440
Cash bonds and deposits	<u>703,082</u>
Total liabilities	<u>\$ 704,522</u>

Township of Washington

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Washington (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. Each discretely presented component unit is required to be reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township. See the discussion below regarding the Township's Economic Development Corporation.

The Township Building Authority is governed by a board that is appointed by the board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. The Township Building Authority was inactive during the year and has no assets or liabilities.

The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents. The Corporation's governing body is selected by the Township board. The Corporation was inactive during the year and has no assets or liabilities.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; therefore, receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

Township of Washington

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund - The Fire Fund accounts for the proceeds of a property tax levy that are earmarked for fire service.

Police Fund - The Police Fund accounts for the proceeds of a property tax levy that are earmarked for police service.

Advanced Life Support Fund - The Advanced Life Support Fund accounts for the proceeds of a property tax levy that are earmarked for advanced life support service.

The Township reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund is used to account for the results of operations that provide water and sewer service to citizens that is financed primarily by a user charge for the provision of that service.

Building Inspection Fund - The Building Inspection Fund is used to account for the construction code activity of the Township. The Township charges fees for inspection of building construction and renovation to ensure compliance with the building codes.

Additionally, the Township reports the following fund type:

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected to also follow private sector standards issued after November 30, 1989 for its business-type activities.

Township of Washington

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township of Washington's 2007 tax is levied and collectible on December 1, 2007 and is recognized as revenue in the year ended March 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

Township of Washington

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2007 real and personal taxable valuation of the Township of Washington (including Romeo Village) totaled \$1.275 billion, on which taxes levied consisted of .6198 mills for operating purposes, 1.5900 mills for advanced life support services (applied against real property only and excluding Romeo Village), .9576 mills for police services (excluding Romeo Village), and 2.1599 mills for fire services (applied against real property only and excluding Romeo Village). This resulted in \$785,000 for operating, \$1.8 million for advanced life support services, \$1.2 million for police services, and \$2.4 million for fire services. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

The Township annually sells its delinquent real property taxes to the County, which then becomes responsible for collecting the taxes and taking any uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100 percent of face value, and in return the County is allowed to retain all interest and penalties it collects. The estimated present value of the future delinquent collections to the Township is less than the face value that has been received, because of the time value of money; however, the net present value to the County is greater than this amount, because of the statutory provision that allows the County to retain all penalties and interest. During the current year, the Township received \$892,608 from this sale. At the end of the tax reversion process (approximately three years), the County charges the Township back for any uncollected taxes. Historically, this amount has not been significant.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund, Fire Fund, Liquor Law Enforcement Fund, Ambulance Fund, Water and Sewer Fund, and the Trust and Agency Fund is generally allocated to each fund using a weighted average of balances for the principal held for each fund on a monthly basis.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Township of Washington

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - The revenue bonds of the Water and Sewer Fund require amounts to be set aside for debt service. The unspent portion of the bonds is required to be set aside for construction. Additionally, the Water and Sewer Fund has restricted assets relating to collections to be used to pay for construction of the Garfield Interceptor and receivables and collections to be used for Hayes Road sewer line construction.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Water and sewer distribution systems	50 years
Buildings and building improvements	10-30 years
Vehicles	5-10 years
Office furnishings	5-10 years
Other tools and equipment	5-20 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Township of Washington

Notes to Financial Statements March 31, 2008

Note 2 - Deposits and Investments (Continued)

The Township has designated 12 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

The Township's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$8,668,402 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Sweep accounts	\$ 28,102,521	N/A	Unrated

Township of Washington

Notes to Financial Statements March 31, 2008

Note 3 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2007	Additions	Disposals and Adjustments	Balance March 31, 2008
Governmental Activities				
Capital assets not being depreciated - Land	\$ 1,645,964	\$ 554,823	\$ -	\$ 2,200,787
Capital assets being depreciated:				
Buildings and building improvements	3,070,213	129,045	-	3,199,258
Vehicles	2,595,531	365,666	-	2,961,197
Office furnishings	174,541	-	-	174,541
Other tools and equipment	1,017,638	15,967	-	1,033,605
Subtotal	6,857,923	510,678	-	7,368,601
Accumulated depreciation:				
Buildings and improvements	1,396,950	108,863	-	1,505,813
Vehicles	1,135,735	165,814	-	1,301,549
Office furnishings	119,795	13,784	-	133,579
Other tools and equipment	517,865	88,603	-	606,468
Subtotal	3,170,345	377,064	-	3,547,409
Net capital assets being depreciated	3,687,578	133,614	-	3,821,192
Net governmental capital assets	<u>\$ 5,333,542</u>	<u>\$ 688,437</u>	<u>\$ -</u>	<u>\$ 6,021,979</u>

Township of Washington

Notes to Financial Statements March 31, 2008

Note 3 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2007	Additions	Disposals and Adjustments	Balance March 31, 2008
Capital assets not being depreciated:				
Land	\$ 10,112	\$ -	\$ -	\$ 10,112
Construction in progress	44,054	57,031	-	101,085
Subtotal	54,166	57,031	-	111,197
Capital assets being depreciated:				
Water and sewer distribution systems	45,593,478	70,040	-	45,663,518
Buildings and building improvements	412,046	306	-	412,352
Vehicles	343,919	-	-	343,919
Office furnishings	132,046	-	2,326	129,720
Other tools and equipment	270,649	2,650	1,973	271,326
Subtotal	46,752,138	72,996	4,299	46,820,835
Accumulated depreciation:				
Water and sewer distribution systems	8,595,185	936,410	-	9,531,595
Buildings and building improvements	217,285	14,115	-	231,400
Vehicles	326,219	5,857	-	332,076
Office furnishings	90,637	14,565	2,326	102,876
Other tools and equipment	167,790	20,100	1,973	185,917
Subtotal	9,397,116	991,047	4,299	10,383,864
Net capital assets being depreciated	37,355,022	(918,051)	-	36,436,971
Net business-type capital assets	<u>\$ 37,409,188</u>	<u>\$ (861,020)</u>	<u>\$ -</u>	<u>\$ 36,548,168</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 109,275
Public safety	267,789
Total governmental activities	<u>\$ 377,064</u>
Business-type activities:	
Water and sewer	\$ 988,272
Building Inspection Fund	2,775
Total business-type activities	<u>\$ 991,047</u>

Township of Washington

Notes to Financial Statements March 31, 2008

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Fire Fund	\$ 194
	Water and Sewer Fund	5,040
	Building Inspection Fund	3,968
	Nonmajor governmental funds	<u>4,285</u>
	Total General Fund	13,487
Nonmajor governmental funds	General Fund	<u>2,307,737</u>
	Total	<u><u>\$ 2,321,224</u></u>

The balance owed from the General Fund to the nonmajor governmental funds represents the cumulative amount transferred from the General Fund to the nonmajor governmental funds over those funds' lifetimes. The General Fund continues to hold cash and investments so that it may continue to earn interest of these funds. The other balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Nonmajor governmental funds	\$ 273,008
Fire Fund	Nonmajor governmental funds	70,000
Advanced Life Support Fund	Nonmajor governmental funds	70,000
Water and Sewer Fund	Nonmajor governmental funds	66,000
Building Inspection Fund	Nonmajor governmental funds	<u>43,932</u>
Total		<u><u>\$ 522,940</u></u>

Township of Washington

Notes to Financial Statements March 31, 2008

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

The transfers from the General Fund, Fire Fund, Water and Sewer Fund, Building Inspection Fund, and Advanced Life Support Fund to the Employee Benefits Special Revenue Fund represent the transfer of funds to meet retiree healthcare premiums and a portion of the Township's sick and vacation liability.

Note 5 - Long-term Debt

The Township of Washington issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual obligations are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

The Township has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of various water lines. The bonds are payable solely from the net revenues of the water and sewer system. The remaining principal and interest to be paid on the bonds is \$3,557,142. During the current year, net revenues of the system were \$1,966,302 compared to the annual debt requirements of \$298,375.

The revenue bond ordinance contains certain covenants and restrictions that, among other matters, relate to the following:

- Establishment of rates to customers of the system that, together with other system income, are reasonably expected to produce annual net revenue sufficient to provide for 125 percent of annual debt service requirements on the bonds and to provide other expenditures of the system as long as any bonds are outstanding

Township of Washington

Notes to Financial Statements March 31, 2008

Note 5 - Long-term Debt (Continued)

- Periodic transfers of net revenue to a fund segregated for debt service payments so that the balance in the fund is equal to the lesser of the maximum annual debt service requirements on the bonds for any future year or 10 percent of the principal amounts on the bonds. Additionally, each month a portion of the next principal and interest payment on each revenue bond must be transferred to a separate fund segregated to pay the next debt service payment.
- Adoption of and adherence to budgeted expenses
- Segregation of Water and Sewer Fund revenue
- Segregation of assets for construction of improvements to the system
- Prohibited sale, lease, or other disposition of all or any substantial part of the system

The revenue bond covenants and restrictions were met by the Township in the current year.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities							
Special assessment bonds:							
Amount of issue: \$915,000	5.20% -	\$ 90,000	\$ 275,000	\$ -	\$ (95,000)	\$ 180,000	\$ 90,000
Maturing through 2010	5.30%	95,000					
Other long-term obligations -							
Compensated absences			326,695	46,716	-	373,411	-
Total governmental activities			<u>\$ 601,695</u>	<u>\$ 46,716</u>	<u>\$ (95,000)</u>	<u>\$ 553,411</u>	<u>\$ 90,000</u>

Township of Washington

Notes to Financial Statements March 31, 2008

Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds:							
Special assessment bonds -							
Washington Heights:							
Amount of issue: \$240,000		\$ -	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -
Maturing through 2008							
Carriage Hills #6:							
Amount of issue: \$810,000	4.10% -						
Maturing through 2012	4.30%	85,000	340,000	-	(85,000)	255,000	85,000
County contractual obligation -							
Garfield Interceptor:							
Amount of issue: \$3,023,179		5,140					
Maturing through 2033	7.50%	216,021	2,993,386	-	(14,955)	2,978,431	5,140
Revenue bonds:							
Van Dyke Water:							
Amount of issue: \$750,000							
Maturing through 2009	5.60%	70,000	135,000	-	(65,000)	70,000	70,000
Eastview S.A.D. (B11264):							
Amount of issue: \$750,000		60,000					
Maturing through 2010	5.70%	75,000	270,000	-	(60,000)	210,000	60,000
Water Supply and Sewage Disposal System:							
Amount of issue: \$2,500,000	5.00% -	25,000					
Maturing through 2020	8.00%	300,000	2,375,000	-	(25,000)	2,350,000	25,000
Other long-term obligations -							
Compensated absences			133,282	1,583	-	134,865	-
Total business-type activities			\$ 6,271,668	\$ 1,583	\$ (274,955)	\$ 5,998,296	\$ 245,140

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 90,000	\$ 7,110	\$ 97,110	\$ 245,140	\$ 376,827	\$ 621,967
2010	90,000	2,385	92,385	240,539	363,179	603,718
2011	-	-	-	265,969	947,946	1,213,915
2012	-	-	-	181,432	328,904	510,336
2013	-	-	-	206,932	316,205	523,137
2014-2018	-	-	-	1,243,617	1,401,385	2,645,002
2019-2023	-	-	-	638,388	1,107,732	1,746,120
2024-2028	-	-	-	92,122	1,049,623	1,141,745
2029-2033	-	-	-	133,878	1,007,865	1,141,743
2034-2038	-	-	-	194,565	947,179	1,141,744
2039 and thereafter	-	-	-	2,420,849	2,420,776	4,841,625
Total	\$ 180,000	\$ 9,495	\$ 189,495	\$ 5,863,431	\$ 10,267,621	\$ 16,131,052

Township of Washington

Notes to Financial Statements March 31, 2008

Note 6 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Business-type Activities
Cash and equivalents:	
Sewer benefit fees	\$ 1,333,747
Hayes Road construction	154,215
Bond reserve	263,000
Unspent bond proceeds	905,885
	<hr/>
Total cash and equivalents	2,656,847
Court judgment receivable - \$435,285 payable over 45 years with no stated interest, recorded at present value using imputed interest rate of 8 percent, final payment due in April 2031	<hr/>
	114,308
	<hr/>
Total restricted assets	\$ 2,771,155

The sewer benefit fees of \$1,333,747 are restricted for construction of the Garfield Interceptor. The Hayes Road construction cash and equivalents of \$154,215 and the court judgment receivable of \$114,308 are restricted for maintenance on the Hayes Road sewer line. The bond reserve of \$263,000 and unspent bond proceeds of \$905,885 are restricted for the Eastview water main, the Van Dyke water main extension, and debt service on the related revenue bonds.

Note 7 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical claims and participates in the Michigan Townships Participating Plan risk pool for claims relating to property loss, torts, errors and omissions, and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participating Plan (the "Plan") operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Township of Washington

Notes to Financial Statements March 31, 2008

Note 8 - Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by Township board resolution, the Township contributes 15 percent of compensation as defined by W-2 wages for fire department employees and 15 percent of base salaries for all general employees, department heads, and water and sewer department employees. Employees may voluntarily contribute up to 10 percent. In accordance with these requirements, the Township contributed \$573,597. Employee contributions in the current year totaled \$4,872.

Note 9 - Postemployment Benefits

The Township provides health care to all full-time employees upon retirement, in accordance with labor contracts. Currently, four retirees are eligible. The Township includes pre-Medicare retirees and their dependents in its insured healthcare plan, with some retired employee groups contributing a portion of the cost. The Township purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare benefits were paid by the General Fund and Water and Sewer Fund as the insurance premiums became due; during the year, this amounted to approximately \$51,000.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions).

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending March 31, 2009.

Note 10 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consisted of \$180,456 of special assessment funds that were unavailable.

Township of Washington

Notes to Financial Statements March 31, 2008

Note 11 - Designated Fund Balances

Fund balances have been designated for the following purposes:

	General		Advanced Life	Nonmajor
	Fund	Fire Fund	Support Fund	Special Revenue Funds
Future expenditures	\$ 629,942	\$ -	\$ -	\$ -
Roads	296,154	-	-	-
Land/Building purchases	529,056	-	-	-
Capital improvements	-	-	-	1,919,838
Equipment purchases	-	14,000	86,359	-
Employee benefits	-	-	-	2,695,745
Total	<u>\$ 1,455,152</u>	<u>\$ 14,000</u>	<u>\$ 86,359</u>	<u>\$ 4,615,583</u>

Note 12 - Joint Ventures

The Township is a member of the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation through Advanced Reservation Commission (S.T.A.R.). The Township appoints one member to each joint venture's governing board, which then approves the annual budget. The Romeo, Washington, Bruce Parks and Recreation Commission is funded primarily from property taxes and program fees. S.T.A.R. is funded primarily from property taxes and operating grants. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township's equity interest of \$541,701 and \$871,606 in the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation through Advanced Reservation Commission, respectively, is recorded within the governmental activities column of the statement of net assets. Complete financial statements for the joint ventures can be obtained from the administrative offices at 361 Morton, Romeo, Michigan 48061.

The Township is a member of the Tri-County Cable Communications Commission, which provides cable services to the residents of Washington Township, the Village of Romeo, and Bruce Township. The participating communities provide annual funding for its operations. During the current year, the Township contributed \$131,100 for its operations. The Township is unaware of any circumstances that would cause an additional benefit or burden for the Township. Complete financial statements for the Tri-County Cable Communications Commission can be obtained at 6 Walter Sheetz Drive, Romeo, Michigan 48065.

Required Supplemental Information

Township of Washington

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2008

	Prior Year Actual	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue					
Property taxes:					
Current taxes	\$ 723,519	\$ 788,808	\$ 773,006	\$ 785,042	\$ 12,036
Delinquent personal property taxes	1,154	1,500	1,047	1,182	135
Mobile home park taxes	4,582	4,700	4,498	4,509	11
Total property taxes	729,255	795,008	778,551	790,733	12,182
Miscellaneous licenses and permits	5,500	-	3,000	3,000	-
Federal sources	96,698	-	-	-	-
State-shared revenue	1,171,029	1,182,441	1,163,644	1,173,115	9,471
Fees:					
Bookkeeping	193,757	191,956	191,956	191,956	-
Variance	9,400	5,000	6,260	6,760	500
Cable television	184,327	201,695	201,695	201,695	-
Cemetery	6,950	8,000	7,350	7,350	-
Court fines	12,270	6,500	5,622	3,080	(2,542)
Total fees	406,704	413,151	412,883	410,841	(2,042)
Interest and rent	683,267	472,930	585,258	631,439	46,181
Special assessments	56,553	42,000	53,565	55,811	2,246
Other revenue:					
Refunds and rebates	7,431	3,800	2,302	3,218	916
Other revenue	47,669	272,671	283,920	268,423	(15,497)
Total other revenue	55,100	276,471	286,222	271,641	(14,581)
Other financing sources - Transfers and contingencies	-	219,624	-	-	-
Total revenue	3,204,106	3,401,625	3,283,123	3,336,580	53,457

Township of Washington

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2008

	Prior Year Actual	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures					
General government:					
Township board	\$ 43,069	\$ 46,262	\$ 44,812	\$ 44,072	\$ 740
Supervisor	111,510	117,072	117,072	115,511	1,561
Elections	267,662	269,777	189,776	187,213	2,563
Assessor	245,971	256,681	252,863	238,184	14,679
Clerk	68,149	69,525	69,525	68,784	741
Accounting	225,169	235,709	235,709	233,125	2,584
Cemetery	24,854	57,500	31,077	26,955	4,122
Administrative	244,529	243,600	266,964	249,079	17,885
Treasurer	217,370	231,247	231,247	225,235	6,012
Board of Review	7,430	9,475	9,475	5,942	3,533
Township Hall	170,323	435,601	319,795	300,902	18,893
Total general government	1,626,036	1,972,449	1,768,315	1,695,002	73,313
Public safety - Planning	118,490	127,913	117,168	112,159	5,009
Public works:					
Highways and streets	62,625	488,624	456,165	447,463	8,702
Street lighting	22,741	26,100	26,100	20,841	5,259
Total public works	85,366	514,724	482,265	468,304	13,961
Fringe benefits and insurance	569,377	631,321	642,367	635,071	7,296
Other financing uses - Transfer to Employee Benefits Fund	695,598	155,218	273,008	273,008	-
Total expenditures	3,094,867	3,401,625	3,283,123	3,183,544	99,579
Net Change in Fund Balance	109,239	-	-	153,036	153,036
Fund Balance - Beginning of year	3,617,273	3,726,512	3,726,512	3,726,512	-
Fund Balance - End of year	<u>\$ 3,726,512</u>	<u>\$ 3,726,512</u>	<u>\$ 3,726,512</u>	<u>\$ 3,879,548</u>	<u>\$ 153,036</u>

Township of Washington

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended March 31, 2008

	Fire Fund			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenue				
Property taxes	\$ 2,245,534	\$ 2,443,978	\$ 2,444,307	\$ 329
Federal and state sources	-	2,252	6,864	4,612
Interest and rent	85,000	168,425	200,190	31,765
Other	-	6,440	10,702	4,262
Total revenue	2,330,534	2,621,095	2,662,063	40,968
Expenditures				
Public safety	2,045,534	1,743,432	1,657,617	85,815
Capital outlay	215,000	399,000	379,239	19,761
Transfers and contingencies	70,000	70,000	70,000	-
Total expenditures	2,330,534	2,212,432	2,106,856	105,576
Net Change in Fund Balance	-	408,663	555,207	146,544
Fund Balance - Beginning of year	4,411,195	4,411,195	4,411,195	-
Fund Balance - End of year	<u>\$ 4,411,195</u>	<u>\$ 4,819,858</u>	<u>\$ 4,966,402</u>	<u>\$ 146,544</u>

Township of Washington

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2008

	Police Fund			Variance with
	Original	Amended		Amended
	Budget	Budget	Actual	Budget
				Favorable
				(Unfavorable)
Revenue				
Property taxes	\$ 1,174,500	\$ 1,155,841	\$ 1,156,518	\$ 677
District Court fines	50,000	25,979	28,369	2,390
Interest	30,000	50,107	52,605	2,498
Total revenue	1,254,500	1,231,927	1,237,492	5,565
Expenditures - Public safety	873,055	843,550	834,060	9,490
Net Change in Fund Balance	381,445	388,377	403,432	15,055
Fund Balance - Beginning of year	1,529,144	1,529,144	1,529,144	-
Fund Balance - End of year	<u>\$ 1,910,589</u>	<u>\$ 1,917,521</u>	<u>\$ 1,932,576</u>	<u>\$ 15,055</u>

Township of Washington

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2008

	Advanced Life Support Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Property taxes	\$ 1,653,684	\$ 1,799,863	\$ 1,800,105	\$ 242
Federal sources	-	2,252	6,864	4,612
Charges for services	211,598	264,834	315,462	50,628
Interest	62,000	83,647	94,664	11,017
Refunds and rebates	-	957	3,994	3,037
Other	-	13,226	14,446	1,220
Total revenue	1,927,282	2,164,779	2,235,535	70,756
Expenditures				
Public safety	1,719,782	1,609,751	1,530,802	78,949
Capital outlay	137,500	29,000	8,306	
Transfers and contingencies	70,000	70,000	70,000	-
Total expenditures	1,927,282	1,708,751	1,609,108	99,643
Net Change in Fund Balance	-	456,028	626,427	170,399
Fund Balance - Beginning of year	2,352,752	2,352,752	2,352,752	-
Fund Balance - End of year	<u>\$ 2,352,752</u>	<u>\$ 2,808,780</u>	<u>\$ 2,979,179</u>	<u>\$ 170,399</u>

Township of Washington

Notes to Required Supplemental Information March 31, 2008

Note 1 - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	Major Special Revenue Funds					
	General Fund		Fire Fund		Advanced Life Support Fund	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 3,336,580	\$ 2,910,536	\$ 2,662,063	\$ 2,036,856	\$ 2,235,535	\$ 1,539,108
Operating transfers budgeted as revenue and expenditures	-	273,008	-	70,000	-	70,000
Amounts per budget statement	<u>\$ 3,336,580</u>	<u>\$ 3,183,544</u>	<u>\$ 2,662,063</u>	<u>\$ 2,106,856</u>	<u>\$ 2,235,535</u>	<u>\$ 1,609,108</u>

Note 2 - Budgetary Information

Budgetary Information - The annual budget is prepared by management and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2008 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with exception of operating transfers, which have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." The budget statements (budgetary comparison schedules - General Fund and Major Special Revenue Funds) are presented on the same basis of accounting used in preparing the adopted budgets.

Township of Washington

Notes to Required Supplemental Information March 31, 2008

Note 2 - Budgetary Information (Continued)

The budgets have been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget and Major Special Revenue Funds budgets as adopted by the Township board is included in the required supplemental information. A comparison of the actual results of operations to the nonmajor Special Revenue Funds and nonmajor Debt Service Funds budgets as adopted by the Township board is available at the clerk's office for inspection.

Comparative Data - Comparative data for the prior year has been presented for the General Fund budgetary comparison schedule for the purpose of additional analysis.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township did not have significant expenditure budget variances.

Other Supplemental Information

Township of Washington

	Special Revenue				
	Liquor Enforcement Fund	Improvement Revolving Fund	Budget Stabilization Fund	Sidewalk Fund	Cable Franchise Fee Reserve Fund
Assets					
Cash and cash equivalents	\$ 36,426	\$ -	\$ -	\$ 146,276	\$ 397,824
Special assessments receivable	-	-	-	-	-
Due from other funds	-	1,919,838	252,000	-	-
Due from other governmental units	69	-	-	-	59,791
Prepaid expenses	-	-	-	-	2,246
Total assets	<u>\$ 36,495</u>	<u>\$ 1,919,838</u>	<u>\$ 252,000</u>	<u>\$ 146,276</u>	<u>\$ 459,861</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	396	-	-	-	489
Deferred revenue	-	-	-	-	-
Total liabilities	396	-	-	-	489
Fund Balances					
Reserved:					
Law enforcement	36,099	-	-	-	-
Prepaid expenses	-	-	-	-	2,246
Unreserved:					
Designated	-	1,919,838	-	-	-
Undesignated	-	-	252,000	146,276	457,126
Total fund balances	<u>36,099</u>	<u>1,919,838</u>	<u>252,000</u>	<u>146,276</u>	<u>459,372</u>
Total liabilities and fund balances	<u>\$ 36,495</u>	<u>\$ 1,919,838</u>	<u>\$ 252,000</u>	<u>\$ 146,276</u>	<u>\$ 459,861</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2008**

Funds			Total
Street Light Assessment Fund	Employee Benefits Fund	Debt Service Fund	Nonmajor Governmental Funds
\$ 10,875	\$ 2,559,846	\$ 98,000	\$ 3,249,247
-	-	55,593	55,593
-	135,899	-	2,307,737
12,813	-	1,536	74,209
-	-	-	2,246
\$ 23,688	\$ 2,695,745	\$ 155,129	\$ 5,689,032
\$ 3,169	\$ -	\$ -	\$ 3,169
3,400	-	-	4,285
-	-	55,593	55,593
6,569	-	55,593	63,047
-	-	-	36,099
-	-	-	2,246
-	2,695,745	-	4,615,583
17,119	-	99,536	972,057
17,119	2,695,745	99,536	5,625,985
\$ 23,688	\$ 2,695,745	\$ 155,129	\$ 5,689,032

Township of Washington

	Special Revenue				
	Liquor Enforcement Fund	Improvement Revolving Fund	Budget Stabilization Fund	Sidewalk Fund	Cable Franchise Fee Reserve Fund
Revenue					
State-shared revenue	\$ 10,373	\$ -	\$ -	\$ -	\$ -
Fees	-	-	-	6,951	228,318
Interest	-	-	-	6,631	-
Special assessments	-	-	-	-	-
Total revenue	10,373	-	-	13,582	228,318
Expenditures					
General government	-	-	-	-	73,131
Public safety	9,888	-	-	3,475	-
Public works	-	19,805	-	-	-
Capital outlay	-	2,040	-	-	-
Debt service	-	-	-	-	-
Total expenditures	9,888	21,845	-	3,475	73,131
Excess of Revenue Over (Under)					
Expenditures	485	(21,845)	-	10,107	155,187
Other Financing Sources - Transfers in	-	65,413	-	-	68,595
Net Change in Fund Balances	485	43,568	-	10,107	223,782
Fund Balances - Beginning of year	35,614	1,876,270	252,000	136,169	235,590
Fund Balances - End of year	<u>\$ 36,099</u>	<u>\$ 1,919,838</u>	<u>\$ 252,000</u>	<u>\$ 146,276</u>	<u>\$ 459,372</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended March 31, 2008

Funds			
Street Light Assessment Fund	Employee Benefits Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 10,373
-	-	-	235,269
51	111,603	11,407	129,692
<u>42,504</u>	<u>-</u>	<u>32,713</u>	<u>75,217</u>
42,555	111,603	44,120	450,551
-	-	-	73,131
-	-	-	13,363
-	-	-	19,805
40,810	-	-	42,850
<u>-</u>	<u>-</u>	<u>107,322</u>	<u>107,322</u>
<u>40,810</u>	<u>-</u>	<u>107,322</u>	<u>256,471</u>
1,745	111,603	(63,202)	194,080
<u>-</u>	<u>388,932</u>	<u>-</u>	<u>522,940</u>
1,745	500,535	(63,202)	717,020
<u>15,374</u>	<u>2,195,210</u>	<u>162,738</u>	<u>4,908,965</u>
<u>\$ 17,119</u>	<u>\$ 2,695,745</u>	<u>\$ 99,536</u>	<u>\$ 5,625,985</u>

Township of Washington

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds March 31, 2008

	Agency Funds		
		Trust and	
	Tax Collections	Agency	Totals
Assets - Cash and investments	<u>\$ 1,440</u>	<u>\$ 703,082</u>	<u>\$ 704,522</u>
Liabilities			
Due to other governmental units	\$ 1,440	\$ -	\$ 1,440
Cash bonds and deposits	<u>-</u>	<u>703,082</u>	<u>703,082</u>
Total liabilities	<u>\$ 1,440</u>	<u>\$ 703,082</u>	<u>\$ 704,522</u>

**Township of Washington
Macomb County, Michigan**

**Report to the Board of Trustees
March 31, 2008**



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

To the Board of Trustees
Township of Washington
Macomb County, Michigan

We have recently completed our audit of the basic financial statements of the Township of Washington (the "Township") for the year ended March 31, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, recommendations, and informational comments which impact the Township.

	<u>Page</u>
Report on Internal Control	1-2
Results of the Audit	3-5
Informational/Other Comments	6-7

We are grateful for the opportunity to be of service to Washington Township. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

June 24, 2008

Report on Internal Control

To the Board of Trustees
Township of Washington
Macomb County, Michigan

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of Washington Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

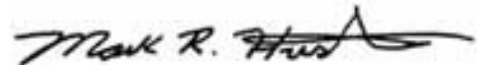
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the board of trustees, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Mark R. Hurst", with a stylized flourish at the end.

Mark R. Hurst

June 24, 2008

Results of the Audit

June 24, 2008

To the Board of Trustees
Township of Washington
Macomb County, Michigan

We have audited the financial statements of Washington Township for the year ended March 31, 2008 and have issued our report thereon dated June 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 25, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Washington Township. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 29, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Washington Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated June 24, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

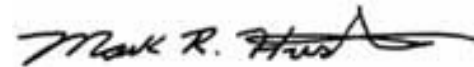
Other Audit Findings or Issues

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

This information is intended solely for the use of the board of trustees and management of Washington Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Mark R. Hurst", with a stylized flourish at the end.

Mark R. Hurst

Informational/Other Comments

Report on Investments

A new law was passed in December 2007 for reporting on investments to the board. The treasurer is now required to report on investments at least quarterly. While the law proscribes no minimum information requirements, we feel that the report should include a list of investments with the financial institution each was issued through, the amount, and perhaps the stated interest rate.

Property Tax Revenue

Property taxes have consistently been the Township's largest revenue source. With the continuing downturn in the real estate market, the Legislature is picking up some bills that were proposed back in 2007 that it hopes will help spur sales. This includes potential legislation that would adjust the mechanics of the general property tax act. The nature of the legislation has ranged from the suspension of the "pop-up" or increase in taxable value that occurs when a property sells or a "super cap" on taxable value that prohibits an increase in taxable value when market values are declining. The outcome of this legislation could also have a significant impact on the Township. We will keep you informed as significant events unfold.

In addition, the Township needs to be aware of the potential financial impact of reduced housing market values. Property tax assessments were recently finalized in May 2008. Early indications are that declines in market values (state equalized value) may threaten the inflationary growth in taxable value that communities had been experiencing following the passage of Proposal A. It is important to understand the connection between market value declines and taxable value declines. On the one hand, a reduction in SEV (state equalized value) will not immediately result in an equivalent reduction in TV (taxable value, which is what the tax bills are now based on). The reason for this is that TVs were held down in those years since 1994 when property values increased faster than inflation; now that they are increasing less than inflation (or decreasing), Proposal A allows the TVs to continue increasing at the inflationary rate, up until the point that TV meets SEV. While some properties have already met this ceiling, the majority have not, and for this reason many communities expect 2008 TV in total to increase or decrease only slightly. However, it is important to understand that if the market downturn continues, more and more properties will hit this ceiling where TV meets SEV, and the impact will be more drastic each year we go forward. We caution the Township to keep this in mind as it begins its 2009 budget deliberations.

State-shared Revenue

State-shared revenue continues to be the General Fund's largest revenue source. Due to state budget issues, the Township has seen a slight decline over the past year. The governor's 2009 budget is anticipating another decline in total sales tax collections, which will result in reduced constitutional state-shared revenue. Prior to beginning the 2009 budget cycle, you should check in with us or with the Michigan Townships Association to verify any changes that will take place between now and then. However, the tone in Lansing is more positive than it has been in several years.

Retiree Healthcare Benefits

The Township provides health care to retirees and their beneficiaries. Beginning April 1, 2008, accounting rules (GASB 45) will require the Township to begin measuring the cost of this benefit over the time period that employees provide the services. This rule will require the Township to measure the annual cost that would be required to fully fund this benefit, with a maximum amortization period of 30 years. The Township will need to obtain an actuarial valuation related to these benefits during the current year.

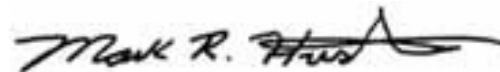
Once the actuarial valuation has been obtained, we encourage the Township to evaluate the amount of contribution that is recommended. If the amount is too large to fit into the current budget, we encourage the Township to develop a plan to fund a portion of the recommendation and to increase the contribution to 100 percent of the actuarially recommended contribution over some period of years. Doing so would be important for two reasons: First, this would charge the cost of the benefit to the years that the employees' services were received (and therefore allocates the cost to the appropriate set of taxpayers). Secondly, the sooner that money can be set aside to pay these benefits, assuming that the contributions are invested in accordance with Public Act 149 of 1999, the lower the present value cost of the benefit.

Closing

We would like to thank the Township board for the opportunity to serve as auditors for the Township. We would also like to express our appreciation for the courtesy and cooperation extended to us by the clerk's and treasurer's departments during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

Plante & Moran, PLLC



Mark R. Hurst



Pamela L. Hill